



Minutes

Meeting Title:	Gas Advisory Board (GAB) Extraordinary Meeting
Date:	28 October 2021
Time:	1:00pm – 2:00pm
Location:	Level 1, 66 St Georges Terrace, Perth

Attendees	Class	Comment
Peter Kolf	Chair	
Martin Maticka	Australian Energy Market Operator (AEMO)	
Bryon McLaughlin	Representative of the Coordinator of Energy (Coordinator)	Videoconference (VC)
Chris Alexander	Small end-use customer representative	VC
Alexandra Wills	Gas producer representative	
Pete Ryan	Gas producer representative	
John Jamieson	Pipeline owner representative	VC
Kathryn Sydney-Smith	Gas shipper representative	VC
Chris Campbell	Gas user representative	VC
Jana O’Kane	Gas user representative	
Dora Guzeleva	Observer appointed by the Minister for Energy	Proxy for Noel Ryan
Lipakshi Dhar	Observer appointed by the Economic Regulation Authority (ERA)	VC

Also in Attendance	From	Comment
Stephen Eliot	GAB Secretariat	VC
Jenny Laidlaw	GAB Secretariat	VC
Laura Koziol	GAB Secretariat	VC
Matthew Martin	Energy Policy WA (EPWA)	Observer
Rajat Sarawat	ERA	Observer VC
Erin Stone	Point Global	Observer VC From 1:15pm

Apologies	From	Comment
Rachael Smith	Pipeline owner representative	
Michael Lauer	Gas shipper representative	
Noel Ryan	Observer appointed by the Minister for Energy	

Item	Subject	Action
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1 Welcome

The Chair opened the meeting and welcomed all attendees with a Welcome to Country.

The Chair reported that he had met with several parties since the last GAB meeting, including:

- Mr Simon Adams and Ms Caroline Brown (Squire Patton Boggs);
- Ms Sally McMahon (Sally McMahon and Associates); and
- Ms Kate Ryan (EPWA), Ms Dora Guzeleva (EPWA), Mr Pete Ryan (Strike Energy), Ms Alexandra Wills (Woodside) and Ms Claire Wilkinson (Australian Petroleum Production and Exploration Association).

The GAB noted these meetings and that there were no conflicts of interest.

2 Meeting Apologies/Attendance

The Chair noted the attendance, proxies and observers, as listed above.

3 Consultation Process on the Need for a WA Gas Trading Mechanism

The Chair noted that the GAB Secretariat had prepared a list of questions that could be asked of stakeholders to assess the need for a gas trading mechanism in WA. The GAB was asked to consider whether these questions were adequate and to provide feedback.

Mr Martin Maticka suggested that the GAB should first identify any gaps in the functioning of the WA gas market before considering whether a gas trading mechanism was needed, as there might be other ways to address any identified gaps.

Mr Chris Campbell agreed with Mr Maticka that context was needed before the GAB commenced an exhaustive consultation process.

Mr Campbell considered that the market was functioning well and there was no observed market failure – the market offered price discovery; liquidity; certainty around short-, medium- and long-term gas supply; and many different ways to procure gas. Mr Campbell questioned the reason for starting a consultation process.

The Chair suggested that it was healthy to periodically ask whether a gas trading mechanism was needed, but that no further work was needed if there was no support for a mechanism.

Mr Campbell noted that the GAB represents all of the gas market participants – producers, shippers, and customers; and asked GAB

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	<p>members for their views on whether there was a need for a centrally organised gas trading mechanism. Mr Campbell indicated that, as a customer, shipper, and user, he saw no need.</p>	
	<p>The Chair asked for the views of the other GAB members.</p>	
	<p>Ms Jana O’Kane supported Mr Campbell’s view. Ms O’Kane indicated that, as a gas user, she had been able to get access to gas supply and had not seen any market failures, so she saw no need for a gas trading mechanism.</p>	
	<p>Ms Wills noted that there were currently two gas trading platforms in the WA market, and indicated that, as a gas producer, she saw no need for another mechanism, or to improve the existing trading mechanisms.</p>	
	<p>The Chair noted that there were two gas storage facilities in WA and suggested that these facilities acted in some ways as an alternative to a trading market. The Chair asked whether the eastern states gas hub had access to storage facilities, and if not, whether this contributed to the need for the hub.</p>	
	<p>Mr John Jamieson indicated that:</p>	
	<ul style="list-style-type: none"> • various market participants had access to private storage facilities, but these facilities were not publicly accessible through the Wallumbilla Hub; and • one storage facility was connected to the Declared Wholesale Gas Market in Victoria. 	
	<p>Mr Jamieson considered that market participants first needed to agree that there was a need for a gas trading mechanism before starting discussions on market design.</p>	
	<p>Mr Campbell commented that the WA market was long on plant and storage capacity and had a plentiful gas supply, which was partly why there were no market failures in WA. There was about 2,000 TJ/day of capacity from all the gas plants and storage facilities in a market that peaked at 1,200 TJ/day, so there was no need for a new gas trading mechanism.</p>	
	<p>Mr Chris Alexander asked if the debate was whether to hold a consultation process, or if this decision had been made and the GAB was debating the questions to ask in the consultation process. Mr Campbell reiterated that the GAB first needed to determine whether there was an issue that needed to be addressed.</p>	
	<p>The Chair agreed that the GAB first needed to consider whether there was an issue and then move on to the more detailed questions. The Chair asked whether there was agreement that there was a need for a survey.</p>	
	<p>Ms O’Kane considered that there was no need for a questionnaire, as the GAB does not need to tie up people’s time with questions if no gap has been identified in the market.</p>	
	<p>Mr Campbell agreed with Ms O’Kane. Mr Campbell suggested that it was the GAB’s job to identify issues and, if the GAB agreed there was no issue, then there was no need to conduct a survey.</p>	

Mr Ryan suggested that:

- arrangements had been put in place to provide greater transparency on quantities, and now the discussion was about improving price transparency;
- funding remained a question – would the Government make funding available for market efficiency, or would this need to be funded through voluntary contributions from market participants; and
- rather than asking market participants to respond to a questionnaire, perhaps GAB members should respond to these sorts of questions.

Ms Kathryn Sydney-Smith asked for clarification on why the GAB should commence research on a gas trading mechanism, as she had not heard a clear justification during the meeting. Mr Campbell agreed.

Mr Bryon McLaughlin indicated that, from an emergency management viewpoint, EPWA considered issues on a risk basis. Consideration would need to be given to where there were risks in the gas supply chain and whether there was a need to develop a new arrangement, such as a gas trading mechanism, or if there was simply a need to tune some of the current arrangements to fix any perceived problems.

Ms Guzeleva indicated that the questions that the GAB Secretariat put forward for discussion were based on a previous survey by the Public Utilities Office (**PUO**, now EPWA) in 2019. Mr Matthew Martin indicated that the PUO conducted the survey in 2019 following a workshop with industry. The PUO received only two responses to the survey, which indicated a low level of concern, so the PUO did not proceed further. Any new survey would need to be clear about the reasons for the survey and provide detail about funding arrangements and whether this would be an optional or mandatory mechanism.

Ms Guzeleva indicated that:

- there was currently no head of power under primary legislation for a compulsory gas trading mechanism, and Government would only contemplate a legislation change and funding for a compulsory mechanism if there was support from industry and a cost-benefit analysis that showed net benefit, or some threat to security; and
- the GAB could work within the current legal framework for a voluntary mechanism like the Wallumbilla Hub, but this would require industry to agree there was a need for the mechanism and to provide funding.

Ms Guzeleva indicated that the GAB appeared to have three options:

- (1) a survey with questions like those drafted by the GAB Secretariat, which did not appear to have support from the GAB;
- (2) a survey with a subset of those questions, asking whether there was a need for a gas trading mechanism, and why/why not; or
- (3) no survey.

Ms O’Kane suggested that the first question should be whether there was market failure, and if so, what were the options to address the market failure, which might include a new gas trading mechanism.

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	<p>The Chair asked if the GAB would support a modified questionnaire that condensed the questions.</p> <p>Ms O’Kane suggested that the GAB should itself discuss whether there was a market failure and then consider the questions. The Chair agreed that the GAB represents industry, so putting the questions to GAB members might be the best way forward. Ms Guzeleva suggested that the GAB should discuss and decide at the meeting how it would like to proceed on the matter.</p> <p>Ms O’Kane asked whether there was justification for a new, self-funded, standalone gas trading mechanism in a market that already had access to two gas trading mechanisms. Mr Campbell responded that there was no justification because such a mechanism would be redundant.</p> <p>Mr Ryan indicated that another way to ask the question was whether any market design problems existed that could be addressed through improved price transparency. Mr Ryan indicated that he would be interested in further exploring a gas trading mechanism to see if there were benefits but noted that other GAB members did not share this view.</p> <p>Ms O’Kane asked Mr Ryan how a new gas trading mechanism would improve price transparency. Mr Ryan replied that Ms O’Kane had noted at the last GAB meeting that there were circumstances where gas users were unsure of where to get gas from during certain events. Ms O’Kane indicated that her concern had been about being unable to access gas, not any failure of the existing gas trading mechanisms.</p> <p>Mr Ryan asked whether other GAB members believed the market was working, and that while some of the market mechanisms might need to be tweaked, the issues that needed to be addressed did not require price discovery. Mr Campbell considered that the WA gas market already had volume and price transparency, liquidity, and plenty of capacity, so there was no market failure to address.</p> <p>The GAB confirmed that its advice was to not proceed with a survey and that a WA trading mechanism should not be pursued further.</p>	

4 General Business

(a) Information Provision Requirements

The Chair noted that AEMO gave a presentation on the information provision requirements in the Gas Services Information (**GSI**) Rules at its WA Gas Consultative Forum (**WAGCF**) on 27 October 2021. The Chair asked Ms O’Kane if she was happy with the presentation and whether there was anything else that needed to be done.

Ms O’Kane noted that she asked a question at the WAGCF and by email regarding Nameplate Capacity and Capacity Outlook. Ms O’Kane noted that the definitions of these terms use the words ‘capable of being injected’ and asked:

- did this mean that the facility has reserves and offshore production capability to be able to deliver that gas to market during that outlook period; and

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	<ul style="list-style-type: none"> if a facility has 100 TJ/day listed for its Nameplate Capacity and its Medium Term Capacity Outlook, and a major disruption event occurs so that there is no offshore production, but the facility could theoretically still produce 100 TJ/day, did this affect the Nameplate Capacity and/or Medium Term Capacity Outlook? <p>Ms O’Kane noted that Nameplate Capacity and Capacity Outlook were measures of the health of the market and information was needed on the market’s cumulative capacity and ability to ramp up and meet demand.</p> <p>Mr Maticka indicated that the information to be provided depended on the outlook period:</p> <ul style="list-style-type: none"> Nameplate Capacity would only change if there was almost a permanent loss of capacity; but a party would be making an incorrect submission if there was a 100 TJ/day outage and it indicated that it could deliver the 100 TJ/day in its seven-day Capacity Outlook. <p>Ms Guzeleva clarified that:</p> <ul style="list-style-type: none"> Nameplate Capacity was a facility’s maximum output under normal conditions in standing data, which should not change regularly; and Capacity Outlook told the market how much gas the facility could actually deliver in the next seven days. <p>Ms Guzeleva indicated that the seven-day Capacity Outlook must be reported every day for a seven-day period, and the concern raised by Ms O’Kane was that there were delays in reporting short-term problems. Ms O’Kane agreed that short-term problems were often not reported straight away.</p> <p>Ms Guzeleva suggested that the meaning of the terms should be clarified with all facility owners and operators.</p> <p>Mr Maticka suggested that a permanent reduction in gas reserves would reduce a production facility’s ability to deliver, and that perhaps this should impact its Nameplate Capacity. Ms O’Kane agreed that this was the kind of detail that needed to be clarified.</p> <p>Mr Maticka indicated that each rule may need to be reviewed to see if there were any gaps.</p> <p>Ms Guzeleva asked if a facility’s Nameplate Capacity might not change, e.g. if it was not mothballed, as it could still produce if someone else decided to put gas through it.</p> <p>Mr Maticka suggested that this interpretation would defeat the objective of providing information via the Gas Bulletin Board (GBB) – it was not the intent of the GBB to inform gas field developers of who can process their gas without building a matching facility.</p> <p>Mr Maticka suggested that the question was whether a production facility’s Nameplate Capacity was linked to the field supplying it, and what was the objective of providing this information to the market. It was not useful to indicate what a facility was capable of producing if it had no gas to back it up.</p>	

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	<p>Ms O’Kane suggested that:</p> <ul style="list-style-type: none"> Nameplate Capacity should be the onshore capacity; and Medium-Term Capacity Outlook should account for offshore deliverability and onshore capacity. <p>There was some discussion about:</p> <ul style="list-style-type: none"> the meaning of the terms Nameplate Capacity, Medium Term Capacity Outlook and seven-day Capacity Outlook; the impact of outages on what is reported for each of these measures; and whether the data reported should only take account of the technical capability of facilities, or the technical capability of facilities and the offshore deliverability of gas. <p>The Chair asked for the GAB’s views on whether there was a need for further clarification or for changes to the GSI Rules.</p> <p>Mr Maticka noted that a question about the definition of Nameplate Capacity was asked at the WAGCF on 27 October 2021 and indicated that AEMO would copy the GAB on AEMO’s response.</p> <p>Action: AEMO to copy the GAB in its response to the question on nameplate capacity asked at the WAGCF on 27 October 2021.</p>	<p>AEMO</p>
	<p>(b) LNG Trucking on the GBB</p> <p>The Chair noted that AEMO and the GAB Secretariat were developing a Rule Change Proposal to provide for a monthly report of trucked LNG volumes on the GBB. Mr Maticka and Ms Guzeleva confirmed that the intent is to present a Pre-Rule Change Proposal to the GAB for discussion at its meeting on 24 March 2022 and then to commence the formal Rule Change Process.</p>	
	<p>The Chair noted that the next scheduled GAB meeting is set for 24 March 2022.</p>	
	<p>The meeting closed at 2:00pm.</p>	